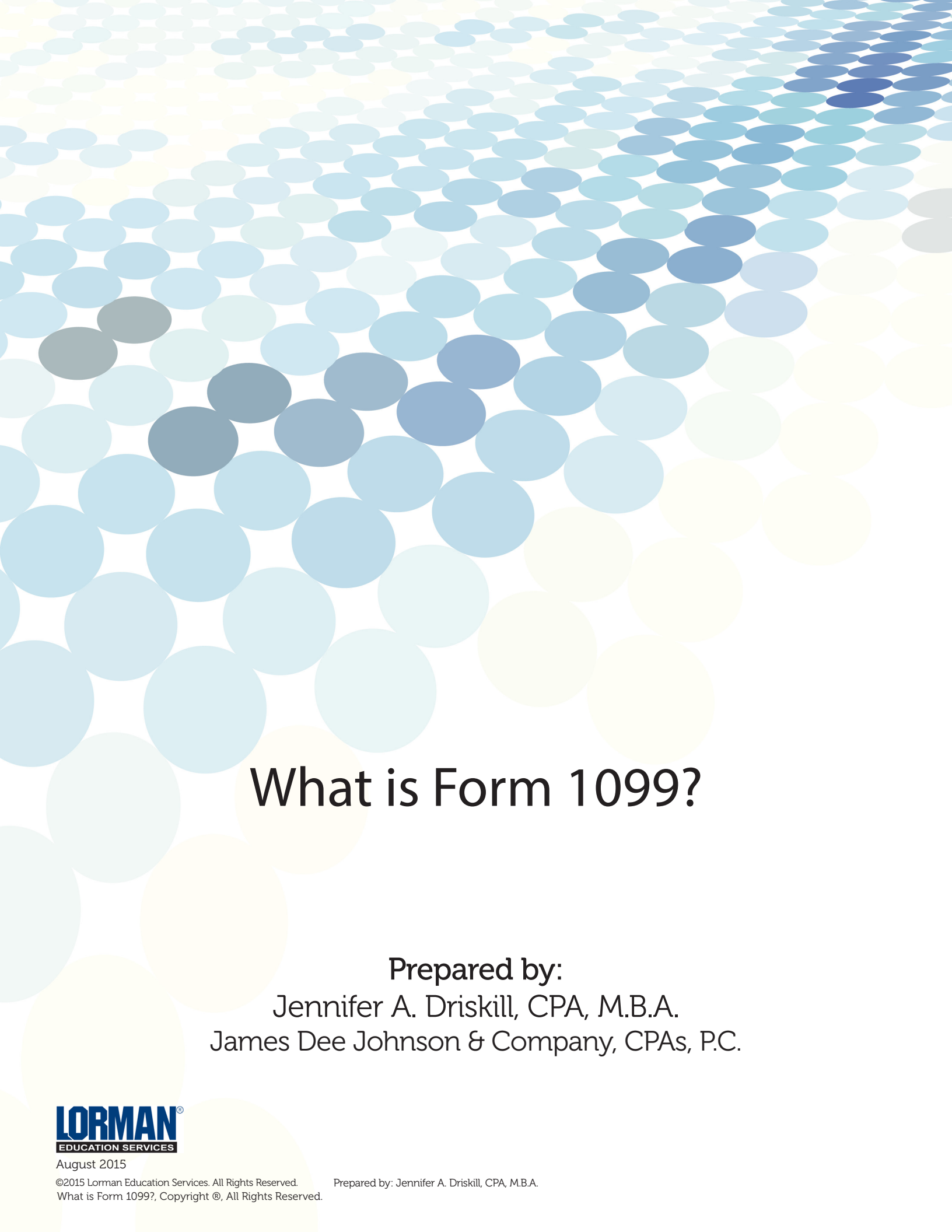




# What is Form 1099?

Prepared by:  
Jennifer A. Driskill, CPA, M.B.A.  
James Dee Johnson & Company, CPAs, P.C.



August 2015

©2015 Lorman Education Services. All Rights Reserved.  
What is Form 1099?, Copyright ©, All Rights Reserved.

Prepared by: Jennifer A. Driskill, CPA, M.B.A.

## INTRODUCING

Lorman's New Approach to Continuing Education

# ALL-ACCESS PASS

The All-Access Pass grants you **UNLIMITED** access to Lorman's ever-growing library of training resources:

- ✓ Unlimited Live Webinars - 60-90 live webinars added every month
- ✓ Unlimited OnDemand and MP3 Downloads - Over 1,000 courses available
- ✓ Videos - Just released
- ✓ Slide Decks - More than 700 available
- ✓ White Papers
- ✓ Reports
- ✓ Articles
- ✓ ... and much more!

Join the thousands of other pass-holders that have already trusted us for their professional development by choosing the All-Access Pass.



Get Your All-Access Pass Today!

**SAVE 20%**

Learn more: [www.lorman.com/pass/?s=special20](http://www.lorman.com/pass/?s=special20)

Use Discount Code Q7014393 and Priority Code 18536 to receive the 20% AAP discount.

\*Discount cannot be combined with any other discounts.

## **What is Form 1099?**

In general, the Form 1099 is an information return. The IRS uses the information reported on these forms to match income paid to a person or company to the income reported on that person or company's income tax return. Many different types of income are reported on the Form 1099 and as a result there are many different types of 1099's. We will go into more detail about the most common types of 1099's later in the manual.

All types of the 1099 have two parties involved: the recipient and the filer, also known as the "payer". See the excerpt below of the general layout.

The image shows a portion of a Form 1099. At the top, it says "PAYER'S name, street address, city, state, ZIP code, and telephone no." followed by a large empty box. Below this, there are two columns: "PAYER'S federal identification number" and "RECIPIENT'S identification number". Under the recipient's identification number is "RECIPIENT'S name". Below the name is "Street address (including apt. no.)", then "City, state, and ZIP code". At the bottom, there is "Account number (see instructions)" and "2nd TIN not." with a checkbox. On the right side of the form, there are some numbers: "1" and "1".

**Recipient Name and Address** – You will show full name of the recipient and the complete street address. Include the additional 4 digits of the zip code if available. The only name on the top line must be the name that is registered to the SSN or TIN with the IRS. For an individual, it should be exactly like what is on their Social Security Card. The IRS matches the name on the first line to what the SSA or IRS have for that particular social security number or tax id number. If they don't match exactly, you will receive a notice that they do not match.

A sole proprietor would be the individual's name on the first line and the "doing business as (DBA)" name on the second line. You may not enter just the DBA name. If it is a sole

proprietor that has a social security number and a tax identification number, the IRS prefers that you enter the SSN.

For a single-member LLC owned by an individual that is a disregarded entity for tax purposes, regulations section 301.7701-3 requires that the individual's name is the only name on the first line and the LLC's name is on the second line. The individual's SSN (or EIN if applicable) would be used even if a TIN is available for the LLC. If the LLC is a corporation or a partnership, enter the entity's EIN.

**Recipient TIN** – TIN's are used to associate and verify amounts you report to the IRS with corresponding amounts on tax returns. It is important that you furnish correct names, social security numbers. For a sole-proprietor or single-member LLC this is their SSN; for corporations, partnerships & LLC's this is their EIN. You request this information by having them complete a W-9 Form. You may be subject to penalty for an incorrect or missing TIN.

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| <b>Form</b><br><b>W-9</b><br>(Rev. August 2013)<br>Department of the Treasury<br>Internal Revenue Service                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Request for Taxpayer<br/>Identification Number and Certification</b>                                                                                                                                                                                                                                                                                                                                                                                                          | <b>Give Form to the<br/>requester. Do not<br/>send to the IRS.</b>       |
| <b>Print or type<br/>See Specific Instructions on page 2.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Name (as shown on your income tax return)                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Business name/disregarded entity name, if different from above                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Check appropriate box for federal tax classification:<br><input type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate<br><input type="checkbox"/> Limited liability company. Enter the tax classification (C-C corporation, S-S corporation, P-partnership) ▶ _____<br><input type="checkbox"/> Other (see instructions) ▶ _____ |                                                                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Exemptions (see instructions):<br>Exempt payee code (if any) _____<br>Exemption from FATCA reporting code (if any) _____                                                                                                                                                                                                                                                                                                                                                         |                                                                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Address (number, street, and apt. or suite no.)<br>City, state, and ZIP code<br>List account number(s) here (optional)                                                                                                                                                                                                                                                                                                                                                           | Requester's name and address (optional)                                  |
| <b>Part I Taxpayer Identification Number (TIN)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
| Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see <i>How to get a TIN</i> on page 3.<br><b>Note.</b> If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>Social security number</b><br>[ ][ ]-[ ][ ]-[ ][ ][ ][ ][ ][ ]        |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | <b>Employer identification number</b><br>[ ][ ]-[ ][ ][ ][ ][ ][ ][ ][ ] |
| <b>Part II Certification</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
| Under penalties of perjury, I certify that:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
| 1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
| 2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and                                                                                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
| 3. I am a U.S. citizen or other U.S. person (defined below), and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
| 4. The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
| <b>Certification instructions.</b> You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 3. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |
| <b>Sign Here</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Signature of U.S. person ▶ _____ Date ▶ _____                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                          |
| <b>General Instructions</b> withholding tax on foreign partners' share of effectively connected income, and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                          |

**Form W-9** – It is recommended that you request a W-9 before you even make the first payment to a recipient. Even if you don't think you will pay them more than the amount required, it will same time if you happen to and don't find out until the end of the year. They may be hard to track down by then. It is good practice to request one on an annual basis in order to stay current with changes in addresses and the like.

IRS regulations require that the W-9 be completed in the following manner so reporting revenues and royalties to the IRS in the name of a “disregarded entity” (single member LLC) can be reported correctly. As provided in the W-9 “Specific Instructions” for NAME regarding a single member LLC, the name of the owner of the Disregarded Entity is entered in the “Name” Box. The name of the Disregarded Entity is entered in the “Business Name” Box.

The tax identification number or social security number of the owner in the “Name” box is placed in the appropriate box in Part 1: Tax Identification Number (TIN). Using the tax information of the owner of the Disregarded Entity will enable us to avoid possible fines for not listing the Owner's name and TIN related to revenue paid to the Disregarded Entity. Complete the remainder of the form with the address of the party to receive the 1099s for the Disregarded Entity.

**Filer's or “Payer's” Name** – This name should be consistent with the name on their tax return. If the filer is a sole proprietor with a “doing business as (DBA)” name or a single-member LLC, use individual's name on first line and the DBA or LLC name on second line.

**Filer's or “Payer's” ID Number** –Sole proprietors and single-member LLC's will use their social security numbers if they are not otherwise required to have an EIN. The only reason they would be required would be if they have Keogh plan or they must file employment tax returns. Corporations, partnerships & LLC treated as a partnership or corporation will use their employer identification number.

If you do not have an EIN, you may apply for one online at [www.irs.gov](http://www.irs.gov) under Online Services or call 1-800-829-4933. You may also complete the Form SS-4 (see excerpt below), Application for Employer Identification Number and follow the instructions for faxing or mailing.

|                                                                                                                                                  |                                                                    |                                                                                                                                                                                                                                                                                                     |                                                                                                    |                                |  |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|--------------------------------|--|
| <b>Form SS-4</b><br>(Rev. January 2010)<br>Department of the Treasury<br>Internal Revenue Service                                                |                                                                    | <b>Application for Employer Identification Number</b><br>(For use by employers, corporations, partnerships, trusts, estates, churches, government agencies, Indian tribal entities, certain individuals, and others.)<br>▶ See separate instructions for each line. ▶ Keep a copy for your records. |                                                                                                    | OMB No. 1545-0003<br>EIN _____ |  |
| 1 Legal name of entity (or individual) for whom the EIN is being requested                                                                       |                                                                    |                                                                                                                                                                                                                                                                                                     |                                                                                                    |                                |  |
| Type or print clearly.                                                                                                                           | 2 Trade name of business (if different from name on line 1)        |                                                                                                                                                                                                                                                                                                     | 3 Executor, administrator, trustee, "care of" name                                                 |                                |  |
|                                                                                                                                                  | 4a Mailing address (room, apt., suite no. and street, or P.O. box) |                                                                                                                                                                                                                                                                                                     | 5a Street address (if different) (Do not enter a P.O. box.)                                        |                                |  |
|                                                                                                                                                  | 4b City, state, and ZIP code (if foreign, see instructions)        |                                                                                                                                                                                                                                                                                                     | 5b City, state, and ZIP code (if foreign, see instructions)                                        |                                |  |
|                                                                                                                                                  | 6 County and state where principal business is located             |                                                                                                                                                                                                                                                                                                     |                                                                                                    |                                |  |
|                                                                                                                                                  | 7a Name of responsible party                                       |                                                                                                                                                                                                                                                                                                     | 7b SSN, ITIN, or EIN                                                                               |                                |  |
| 8a Is this application for a limited liability company (LLC) (or a foreign equivalent)? <input type="checkbox"/> Yes <input type="checkbox"/> No |                                                                    |                                                                                                                                                                                                                                                                                                     | 8b If 8a is "Yes," enter the number of LLC members                                                 |                                |  |
| 8c If 8a is "Yes," was the LLC organized in the United States? <input type="checkbox"/> Yes <input type="checkbox"/> No                          |                                                                    |                                                                                                                                                                                                                                                                                                     |                                                                                                    |                                |  |
| 9a Type of entity (check only one box). Caution. If 8a is "Yes," see the instructions for the correct box to check.                              |                                                                    |                                                                                                                                                                                                                                                                                                     |                                                                                                    |                                |  |
| <input type="checkbox"/> Sole proprietor (SSN) _____                                                                                             |                                                                    |                                                                                                                                                                                                                                                                                                     | <input type="checkbox"/> Estate (SSN of decedent) _____                                            |                                |  |
| <input type="checkbox"/> Partnership                                                                                                             |                                                                    |                                                                                                                                                                                                                                                                                                     | <input type="checkbox"/> Plan administrator (TIN) _____                                            |                                |  |
| <input type="checkbox"/> Corporation (enter form number to be filed) ▶ _____                                                                     |                                                                    |                                                                                                                                                                                                                                                                                                     | <input type="checkbox"/> Trust (TIN of grantor) _____                                              |                                |  |
| <input type="checkbox"/> Personal service corporation                                                                                            |                                                                    |                                                                                                                                                                                                                                                                                                     | <input type="checkbox"/> National Guard <input type="checkbox"/> State/local government            |                                |  |
| <input type="checkbox"/> Church or church-controlled organization                                                                                |                                                                    |                                                                                                                                                                                                                                                                                                     | <input type="checkbox"/> Farmers' cooperative <input type="checkbox"/> Federal government/military |                                |  |
| <input type="checkbox"/> Other nonprofit organization (specify) ▶ _____                                                                          |                                                                    |                                                                                                                                                                                                                                                                                                     | <input type="checkbox"/> REMIC <input type="checkbox"/> Indian tribal governments/enterprises      |                                |  |
| <input type="checkbox"/> Other (specify) ▶ _____                                                                                                 |                                                                    |                                                                                                                                                                                                                                                                                                     | Group Exemption Number (GEN) if any ▶ _____                                                        |                                |  |
| 9b If a corporation, name the state or foreign country                                                                                           |                                                                    | State                                                                                                                                                                                                                                                                                               |                                                                                                    | Foreign country                |  |

**Filer's or "Payer's" Address** – You need to make sure to use the filer's street address including the room, suite or other unit number. Also include the extra four digits of the zip code if they are available.

**Account Number Box** - This box is used for an account number designation. This is required if you have multiple accounts for a recipient for whom you are filing more than one information return of the same type. The IRS encourages you to include the recipients' account number on paper forms if your system of records uses the account number instead of the name or TIN for identification. Also, the IRS will include this account number in future notices to you about backup withholding.

The number may be a checking account number, vendor id number, serial number or any other number unique to the payee. It must not appear anywhere else on the form and you cannot use this box for any other information. A benefit of using account number is that helps ensure corrected information returns will be processed accurately. Do be sure that if you are using window envelopes to mail the returns that the account number does not show in the window as it may not be accepted by the Post Office for reduced rate mail.

**Filer's or "Payer's" Telephone Number** – The following forms must contain a contact telephone number for a person who can answers inquiries about the return if a recipient has questions: 1098, 1098-C, 1098-E, 1098-T, 1099-A, 1099-B, 1099-CAP, 1099-DIV, 1099-G, 1099-H, 1099-INT, 1099-LTC, 1099-MISC, 1099-PATR, 1099-OID, 1099-Q, 1099-S. It would be good practice to make sure the number is on all 1099's to be sure that it isn't missed when required.

This phone number should be in the payer's name, address and telephone number section of the 1099 form. This should be the same phone number that is listed with the person to contact that is listed on the Form 1096, Annual Summary and Transmittal of U.S. Information Return in case the IRS needs more information. We will look at the Form 1096 more in a later section.

## **How to File Form 1099?**

Forms are filed either by paper or electronically. If you file 250 or more of the same type of form you are required to file electronically. More details on the processes for each way will be described in a later section.

